

Service Date: March 1, 2006

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER of NORTHWESTERN)	UTILITY DIVISION
ENERGY'S REQUEST for an)	
Accounting Order authorizing the deferral)	Docket No. N2006.2.19
Of start-up funding for transmission)	
RTO Grid West)	Order No. 6717

Accounting Order

1. Northwestern Energy is a Montana utility operating under the jurisdiction of both the Federal Energy Regulatory Commission (FERC) and the Montana Public Service Commission (MPSC). FERC has a stated objective that promotes the formation of regional transmission organizations (RTO) to encourage more efficient and competitive use of the transmission systems throughout the country.

2. Grid West has been proposed as an RTO for the Pacific Northwest. Start-up funding is needed to cover organization costs. Under the current proposal, this funding will be provided by loans from the regional utilities. These loans are intended to be repaid through utilization of the cashflow from the RTO once it is up and operating. At this point in time, there can be no assurance that the RTO will ultimately be operational.

3. Northwestern Energy is being asked to provide this financing in its role as a regulated utility involved in the development of Grid West. The operations of the RTO are intended to benefit transmission customers.

4. Notes receivable are reflected as an asset. However, due to the start-up nature of the RTO, Grid West's ability to repay the loan cannot be assured, and a periodic impairment analysis would be required. If the loan becomes impaired, Northwestern Energy would be required to establish a valuation allowance against the loan, with a corresponding charge to bad debt expense.

5. This Accounting Order authorizes NorthWestern Energy to defer recognition of any bad debt expense arising from this note. If any portion of the note is not repaid, NorthWestern Energy may seek consideration of the expense in subsequent rate proceedings.

6. This Order only addresses the timing of the recognition of any bad debt expense. Northwestern Energy retains its burden of proof to demonstrate that the level of any costs allocated to and recovered from Montana ratepayers is appropriate.

7. Nothing in this Accounting Order shall be considered precedent for the treatment of loans made to Grid West for start-up organizational costs, except as specifically stated herein, in any future proceedings, or interpreted to limit the Commission's authority in making the determination of which costs should be included in rates.

8. Approval of this Accounting Order is for accounting purposes only. This Order is not to be construed as, nor is it in any way, a directive as to the proper accounting treatment for loans made to Grid West for start-up organizational costs, or an approval of the actual numbers involved, the accounting method used, or the assumptions underlying those numbers. Most importantly, this Order does not imply or direct in any fashion that costs associated with loans to Grid West will at any time be reflected in rates.

Conclusion of Law

1. Northwestern Energy is a public utility furnishing electric and natural gas service to consumers in the State of Montana, subject to the supervision, regulation and control of the Commission. Title 69, Chapter 3, § 69-3-102, MCA.

Order

1. The Commission directs Northwestern Energy to defer recognition of any bad debt expense arising from its Grid West note receivable until such time as they are considered in a subsequent rate proceeding.

2. This Accounting Order covers costs incurred by NorthWestern Energy to fund its share of Grid West's organizational costs. These funds are a loan to be paid back by Grid West once it begins operations. The amount of costs covered by this Accounting Order is not to exceed \$1,800,000. The term of this Accounting Order is the two-year period ending March 1, 2008.

3. This Order is effective on issuance.

DONE IN OPEN SESSION at Helena, Montana on the 28th day of February, 2006 by a vote of 5 to 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

GREG JERGESON, Chairman

BRAD MOLNAR, Vice Chairman

DOUG MOOD, Commissioner

ROBERT H. RANEY, Commissioner

THOMAS J. SCHNEIDER, Commissioner

ATTEST:

Connie Jones
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See ARM 38.2.4806.